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MEMORANDUM FOR: Deputy Director for Administration

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CORE Working Group

SUBJECT: CAT II Future Efficiencies through Capital Investment (U)

1. Future efficiencies that could be realized by near-term capital investment are summarized in the attachment. There are three categories of capital investments:

- CAT IIA - Those requiring capital investment in the 4th quarter FY-81.
- CAT IIB - Those requiring capital investment in 1st quarter FY-82.
- CAT IIC - Those requiring capital investment in FY-82.

All of the CAT IIA items have been submitted to the DDA as unfunded requirements. CAT IIB and IIC items will be surfaced as unfunded as we proceed into the new fiscal year.

2. All of this information will be included in the final report but is submitted now in hopes that it will receive early consideration for reprogramming Agency funds this fiscal year.

Attachment:
As stated

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THIS MEMORANDUM WILL BE UNCLASSIFIED
WHEN ATTACHMENTS REMOVED

WARNING NOTICE
INTELLIGENCE SOURCES
AND METHODS INVOLVED

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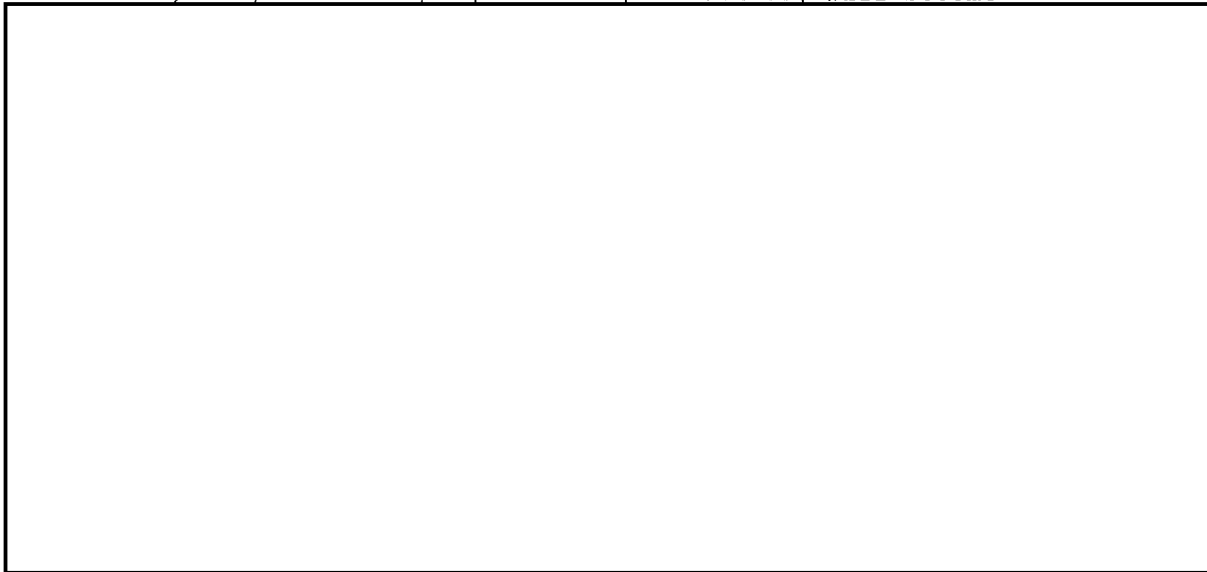
OFFICE OF LOGISTICS

CAT IIB CAPITAL INVESTMENT TO SAVE MONEY IN FUTURE

3. LOGISTICS INTEGRATED MANAGEMENT SYSTEM (LIMS)

The primary intent of the LIMS project is paraphrased from the project Goal: To develop an integrated management system that recognizes and reacts to service requirements . . . enhances operational efficiency, effectiveness and productivity . . . increase(s) automation in OL information handling (and processing transactions) . . . supports worldwide OL (and Agency) operations. . . interface(s) with Agency accounting, budget, and payment processes. The foremost objective of LIMS is to dramatically improve the Office of Logistics' (OL) response to its customers, in terms of the acquisition and delivery of requested and required goods and services and support a rapid vendor payment process.

Quantitatively, the internal requisition and processing sequence involving significant labor-intensive and paper-dependent processes currently averages 55 days of throughput. Using the same or fewer personnel, the LIMS system will simplify processes, increase accuracy, provide timely information, improve vendor relationships, minimize bureaucratic procedures and, importantly, modernize the manner in which business is conducted today and in the future. The benefits of a LIMS system, with its projected responsiveness, will become



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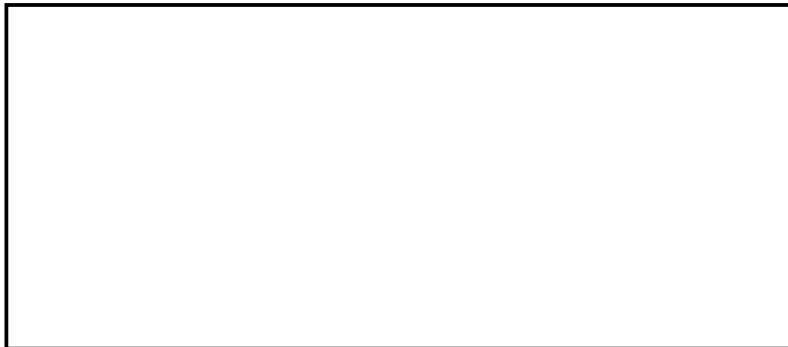
CAT IIB CAPITAL INVESTMENT TO SAVE MONEY IN FUTURE

5. NEW BUILDING AT HEADQUARTERS

Capital investment in a new building on the Langley Compound for consolidation of the Headquarters organization can achieve annual savings in excess of \$5,300,000 by 1985. This figure is comprised of:

- a. Reduction in Commo leased lines
- b. Reduction in the number of Federal Protective Officers
- c. Reduction in costs of TEMPEST testing and countermeasure design
- d. Employee lost man-hours on the shuttle
- e. Reduction of shuttle operating fund
- f. Motor Pool employee reduction
- g. Courier personnel reduction
- h. Reduction in reimbursement for use of POV.

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OFFICE OF DATA PROCESSING

CAT IIC CAPITAL INVESTMENT TO SAVE MONEY IN FUTURE

2. INCREASE IN FUNDS AND/OR POSITIONS FOR SOFTWARE DEVELOPMENT

Many cost savings recommendations derive from the benefits of automating manual systems or redesigning currently automated systems. ODP and the Agency in general are currently underinvested in the software development area: additional funds and/or slots for ODP or other components would mitigate this problem. Cost savings would of course depend on the specific application automated, but just in terms of the specific computer systems addressed by DD/A components the savings can be expected to aggregate to well in excess of \$500,000 on an annual basis.

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OFFICE OF LOGISTICS

FUTURE EFFICIENCIES THROUGH
CAPITAL INVESTMENT

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5 JULY 1981

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INTELLIGENCE SOURCES
AND METHODS INVOLVED

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LOGISTICS INTEGRATED MANAGEMENT SYSTEM (LIMS)

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Quantitatively, the requisition/acquisition/delivery sequence involving significant labor intensive and paper dependent processes currently averages 55 days of throughput (excluding vendor response and a highly variable delivery time). Using the same or fewer personnel, the LIMS system will simplify processes, increase accuracy, provide timely information, improve vendor relationships, minimize bureaucratic procedures and, importantly, modernize the manner in which business is conducted today and in the future--objectives that will, collectively, halve (or more)

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Logistics Integrated Management System (LIMS) - Continued

throughput time. The benefits of a LIMS system, with its projected responsiveness, will become especially vital in supporting covert action programs and the exploitation of targets of opportunity.

Perceived automation within LIMS will: electrically link a minimum of [] Agency locations to the OL materiel support system (and, eventually, be expanded to include [] overseas stations); absorb/consolidate at least eight presently autonomous OL data base systems; expedite transactions involving more than 44,000 annual procurement actions, valued at \$218,000,000; facilitate the management of \$86,500,000 worth of onhand inventory; effect efficiencies in handling in excess of 33,000 shipments annually; streamline a myriad of procedures involved in handling in excess of 68,000 line items contained in 32,000 requisitions; significantly reduce today's paperwork shuffle and its associated costs of clerical effort, filing, logging, labor--and the generation of more than 1,000,000 xerox copies annually, within the supply and procurement functions.

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Logistics Integrated Management System (LIMS) - Continued

Will LIMS be cost effective? Is the initial outlay of
[redacted] of contractor effort justifiable? Is the alternative
of doing nothing about today's antiquated ways of doing business
a truly forward-looking, practical, cost-avoiding approach to
OL's future? These questions are countered by more questions:
What price is to be paid for responsive and timely support?
Assuming that there will be continuing resource limits, how can
OL best fulfill its support role, let alone improve upon it? We
believe that an operational LIMS, in a significant measure, will
provide these answers.

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1st Quarter FY 82

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\$ 2,010,000 1st Quarter FY 82 Fund

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UTILITIES RELIABILITY IMPROVEMENTS

Construction of a special chilled water loop to connect high heat load operational equipment to separate building systems. Estimated cost \$825,000. Primary advantage is that large concentrations of electronic equipment which cannot be accommodated by the regular building air conditioning can be placed on this system. Where some of this equipment must be run after working hours, it can be accommodated far more economically by servicing only the room directly involved rather than running all the space in that entire side of the building. For instance, to run one office on the seventh floor, at present, involves operation of two main air handlers covering 81,000 square feet of space at a cost of approximately \$22.00 per hour. This same office could operate for 30¢ per hour if served by the proposed chilled water loop or a 98.4% savings on present operating costs of over \$8,000 per season in this one area.

\$ 825,000 1st Quarter FY 82 Funds

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IMPROVED ENERGY EFFICIENCY OF EXISTING BUILDINGS AND EQUIPMENT

Caulk and Weatherstrip all Windows at Headquarters - For an initial cost of \$339,671, an energy savings of \$69,332 per year is estimated to be possible.

Install Computerized Total Energy Management System - For an initial cost of \$819,896, an energy savings of \$366,025 per year is estimated to be possible.

Install Variable Air Volume System in Certain Areas in lieu of Constant Volume System Presently Installed - For an initial cost of \$2,016,798, an energy savings of \$769,165 per year is estimated to be possible.

Install Fiberglass Sun Screen Over all Main Building Windows at Headquarters - For an initial cost of \$535,861, an energy savings of \$44,365 per year is estimated to be possible.

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TAKEOVER HEADQUARTERS FROM GENERAL SERVICES ADMINISTRATION

In FY-1981, CIA will pay \$13,500,000 in Standard Level User Charges (SLUC) for the Headquarters complex. In turn, General Services Administration (GSA) will spend an estimated \$8,100,000 to manage, operate, and maintain the complex. The difference in those two figures represents a potential savings to CIA of \$5,400,000, assuming that CIA can operate the building at the same cost as does GSA. Several factors can be expected to drive up the cost to CIA and diminish potential savings.

(a) Under CIA management, Headquarters customers will expect better service. Aside from any questions of the competence of the GSA service organization, GSA budget levels are set at levels of 13% or more below known requirements. We anticipate that CIA requirements will be more fully funded, at an estimated cost of \$1,200,000.

(b) There is growing recognition that the Headquarters complex is aging and many of the utility systems exceed their original life expectancy. Cost for programmed replacement and major emergency repairs will fluctuate widely from year-to-year. Average annual costs are estimated at \$3,000,000, or \$800,000 more than costs shown above.

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Takeover Headquarters from GSA - Continued

(c) Whether CIA operates the facility with staff or contractor personnel, there will be additional costs imposed by the need to initially recruit and clear, and maintain a pipeline for a service cadre of approximately 335 persons. GSA is able to minimize these costs by drawing from a pool of available employees at nearby locations who are awaiting clearances. Without a firm basis for calculating any incremental costs, it is assumed the personnel security requirements will cost \$500,000.

The estimated added cost for CIA to operate the Headquarters complex totals \$2,500,000, which reduces the potential savings to \$2,900,000. That figure is judged to be very conservative. This analysis assumes that the \$8,000,000 in reimbursable work funded by the Agency is accomplished by the GSA at cost, an assumption that also tends to understate savings.

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CLASSIFIED WASTE DISPOSAL SYSTEM

There is insufficient time to fully explore and compare full-time operational cost figures for the Hammermill, Somat, and the propane gas-fired incinerator. It was determined that the costs for the utilities and disposal of the residue for the Hammermill and Somat are comparable but less costly compared to the incinerator. Because of the peculiar safety problems of the Hammermill, we would like to review the outcome of the scheduled safety changes before establishing full-time operating costs.

A special Waste Energy Recovery Study, dated October 1977, by

was prepared for CIA which concluded that for technical and economic reasons, it was infeasible to convert existing boilers to burn waste. This report is available in Headquarters Engineering Branch, Room 3E24 Headquarters. Perhaps installation of a Thermal Distributor Unit as described in this report could again be considered as an alternative.

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